

Message Text

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SUBJECT: EMPLOYERS AND EMPLOYEES AGREE ON NEW NATIONAL PAY PACT

REF: A) DUBLIN 295; B) DUBLIN 141

1. AGREEMENT ON TERMS FOR A NEW 15 MONTH NATIONAL PAY PACT
EMERGED FROM A NINE-HOUR FEBRUARY 11 SESSION BETWEEN REPRESENTATIVES
OF IRISH LABOR AND MANAGEMENT. THE TENTATIVE SETTLEMENT MUST NOW
BE FORMALLY APPROVED BY A SPECIAL IRISH CONGRESS OF TRADE UNIONS
(ICTU) CONFERENCE SCHEDULED FOR MARCH 22 AND ALSO BY THE FEDERATED
UNION OF EMPLOYERS. THE DEVELOPMENT FOLLOWED SEVERAL MEETINGS LATE
LAST WEEK BETWEEN GOVERNMENT OFFICIALS AND SPOKESMEN FOR BOTH
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EMPLOYEES AND EMPLOYERS.

2. KEY FINANCIAL TERMS OF THE AGREEMENT PROVIDE FOR AN EIGHT PERCENT
INCREASE (WITH A POUND 3.50 PER WEEK MINIMUM RAISE) FOR THE FIRST
12 MONTHS, PLUS A FURTHER TWO PERCENT HIKE FOR THE SUBSEQUENT THREE-
MONTH PERIOD. THERE WILL ALSO BE ROOM FOR WORKERS TO BARGAIN AT THE
LOCAL LEVEL FOR AN ADDITIONAL TWO PERCENT, AND FOR

FURTHER INCREASES BASED ON SPECIAL CIRCUMSTANCES SUCH AS PRODUCTIVITY GAINS. IF THE AGREEMENT IS RATIFIED, NEGOTIATIONS AT INDIVIDUAL INDUSTRY OR FIRM LEVEL WOULD COMMENCE IMMEDIATELY, WITH THE EXPECTATION THAT MOST WORKERS WOULD RECEIVE PHASE ONE (EIGHT PERCENT) AS OF MARCH 1.

3. A NON-FINANCIAL ASPECT OF THE PACKAGE SOUGHT BY EMPLOYERS WHICH MIGHT POSSIBLY CAUSE DIFFICULTIES IN OBTAINING FORMAL LABOR RATIFICATION PROVIDES FOR A MINIMUM THREE-WEEK COOLING OFF PERIOD AND A SECRET BALLOT BEFORE ANY OFFICIAL STRIKE ACTION RELATING TO PROVISIONS OF THE AGREEMENT. SOME UNION LEADERS FEAR THAT LABOR ACCEPTANCE OF THESE CONDITIONS WITHIN THE VOLUNTARY WAGE AGREEMENT MIGHT INSPIRE GOVERNMENTAL LEGISLATION TO MAKE THEM MANDATORY. AT THE PRESENT TIME, HOWEVER, IT APPEARS VERY PROBABLE THAT THE ICTU CONFERENCE WILL GIVE ITS APPROVAL TO THE SETTLEMENT.

4. EMPLOYERS SEEM GENERALLY SATISFIED WITH THE PAY PACKAGE. THE CONFEDERATION OF IRISH INDUSTRY ESTIMATES THAT ACTUAL LABOR COSTS WILL RISE BY 16-17 PERCENT OVER THE DURATION OF THE AGREEMENT, BUT THIS IS REGARDED AS MODERATE ENOUGH TO MAINTAIN PRICE COMPETITIVENESS IN EXPORT MARKETS AND AGAINST IMPORTS CHEAPENED BY THE STRONGER POUND. EMPLOYERS BELIEVE THAT THE COOLING OFF AND SECRET BALLOT PROVISIONS, IF FORMALLY ACCEPTED AND OBSERVED IN PRACTICE, WILL FOSTER STABILITY IN OVERALL INDUSTRIAL RELATIONS.

5. THE SETTLEMENT EXCEEDED THE RECOMMENDED TARGET OF FIVE PERCENT LIMITED OFFICIAL USE

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FOR 1978 ESTABLISHED AND STRONGLY PUSHED BY THE GOVERNMENT. MINISTER OF ECONOMIC PLANNING AND DEVELOPMENT MARTIN O'DONOGHUE DESCRIBED THE ARRANGEMENTS AS "ABOUT THE OUTER LIMIT" COMPATIBLE WITH THE GOVERNMENT'S ECONOMIC PLAN. THE RECENT BUDGET MESSAGE HAD THREATENED TO COMPENSATE FOR ANY EXCESSIVE INCREASE THROUGH ADJUSTMENTS IN TAXES. O'DONOGHUE HAS INDICATED THAT NO SUCH STEPS SEEM NECESSARY, ALTHOUGH HE LEFT THE DOOR OPEN TO SELECTIVE MEASURES SHOULD LOCAL NEGOTIATIONS NOT CONFORM TO THE GUIDELINES ESTABLISHED BY THE NATIONAL AGREEMENT. IN TERMS OF THE GOVERNMENT'S ECONOMIC GOALS FOR 1978, O'DONOGHUE ESTIMATED THAT THE SETTLEMENT MIGHT COST THE GOVERNMENT'S EMPLOYMENT CREATION EFFORT 4,000 NEW JOBS AND ADD AN EXTRA HALF PERCENT TO THE INFLATION TARGET OF SEVEN PERCENT. HE ALSO EXPRESSED CONCERN OVER THE POSSIBILITY OF CARRY-OVER EFFECTS INTO 1979. NOTWITHSTANDING THEIR PUBLIC LACK OF ENTHUSIASM FOR THE SETTLEMENT, GOVERNMENT ECONOMIC OFFICIALS ARE REASONABLY PLEASED WITH ITS TIMING AND CONTENT, AND RECOGNIZE THAT THE INCREASES WERE ABOUT AS MODERATE AS REALISTICALLY POSSIBLE GIVEN THE HIGH INFLATION RATE OF RECENT YEARS AND THE RESPONSIBLE POSITION TAKEN BY LABOR IN LAST YEAR'S NEGOTIATIONS. SHANNON

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